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EXAMINER

JANVIER, JEAN D

ART UNIT

PAPER NUMBER

3622

DATE MAILED: 08/27/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/637,387

Applicant(s)

ROWNEY ET AL

Examiner

Jean D Janvier

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 11 August 2000.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 3-15 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 3-15 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO-1449) Paper No(s) Z.
- 4) ☐ Interview Summary (PTO-413) Paper No(s). _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

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DETAILED ACTION

Information Disclosure Statement

The IDS (Paper no. 7) filed, under 1.56, was received by the Office and initialed by the Examiner. However, irrelevant materials, such as WO 93/01248, were crossed off or were not considered. See enclosed PTO Form 1449 for more details.

Specification

The title of the invention, under 37 CFR 1.72, should be brief and technically accurate so as to help one skilled in the art understand the nature of the invention.

Status of the claims

Original claims 1-2 were canceled by a preliminary amendment, which also added new claims 3-15. Thus, claims 3-15 are now pending in the Instant Application.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In

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carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673

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(1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but

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rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

Claim 3 (and dependent claims 4-9) is rejected under 35 U.S.C. 101 because the claimed invention is directed to a non-statutory subject matter. Although, the body of independent claim 3 recites, in lines 6-7, maintaining an award history database for storing award transaction data, the rest of the claim never refers back to the database or the network mentioned in the preamble or any device hardware. In fact, the process or steps disclosed in independent claim 3 pertain to a manual process and therefore, the claims (claims 3-9) do not fall within the technological art. In other words, the steps or process of receiving award transaction information..., receiving a request from a selected customer... and determining an authentication level, as recited in claim 3, should be implemented via a device, such as a computer system, a database, a data communication, computer network, the Internet and so and so forth.

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Claim Objections

Claims 8-9, 14-15 and 10-12 are objected to because of the following informalities:

Regarding claim 10 (and its dependent claims 11-12), line 6, “ ...to perform steps of” should apparently be --...to perform the steps of--.

Regarding claims 8 and 14 “...wherein if the transaction history database indicates that the selected consumer has not provided a high level authentication, then the authentication level required from the selected consumer will be determined to be the high level of authentication” appears to be confusing and ambiguous because the manner in which the system determines whether or not a high level authentication is required from a selected consumer during a redemption process operates like a guessing game (not the best mode). The fact that the selected consumer does not provide a high level authentication does not necessarily mean that a high level authentication is required, especially if the selected consumer is a registered consumer who uses a shopper’s card during the redemption process. Thus, only a level authentication, such as the entry of a code, is required to complete the redemption process if the consumer carries a shopper’s card, as understood by those skilled in the art. To this end, a broad interpretation is given to the claims. Furthermore, similar remarks can be made for claims 9 and 15.

Appropriate correction is required.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

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The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 10-11 (and dependent claim 12) recite the limitation "award history database".

There is insufficient antecedent basis for this limitation in the claim. For examination purpose, the Examiner assumes that the Applicant meant to refer to --memory--.

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 3-15 are rejected under 35 U.S.C. 102(b) as being anticipated by Biorge et al. (hereinafter Biorge), US Patent 5, 806, 045A.

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As per claims 3, 10 and 13, Biorge teaches a system for providing incentive credits to a user or customer participating in or more promotion programs via a handheld or portable device 74 for every qualifying transaction conducted at a participating retailer or provider having a provider device 76 wherein the value of the incentive credits is contingent upon the value of a current transaction and wherein the customer's incentive credits are stored on the memory of the portable or handheld device 74 where they can be retrieved during a redemption process. At any given time subsequent to storing the incentive credits on the customer's handheld device, the

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customer can take the said device 74 to the same retailer or another participating retailer or provider to redeem at least a portion of the incentive credits during a second transaction or a redemption process wherein the stored incentive credits are transmitted from the customer's handheld device 74 to the retailer's POS system or base device 72 (during a synchronization process). In addition, during the redemption process or second transaction (synchronization process), the retailer's POS system or base device 72 transfers newly earned incentive credits to the customer's handheld device 74 permanent memory, based on the value of the second transaction and some other criteria, where they are being added to the existing credit balance (See abstract; col. 2: 18 to col. 3: 21; col. 6: 49 to col. 7: 64; figs. 1-3).

At the conclusion of the redemption process or a transaction, the incentive credit total is updated by adding newly earned incentive credits to the existing remaining total following a redemption process. Thereafter, information regarding the transaction that just takes place is stored in the memory of the customer's device 74, in the memory of the provider's 76 and in the memory 102 (local award history database) of the retailer's POS system or base device 72. In the customer's device 74 memory, information such as the transaction amount, the incentive credits earned, the amount of redeemed incentive credits, if any, the name of the provider 76, the product or service purchased is recorded to maintain a journal of all transactions made using this device. Similar information is stored in the memory of the provider 76. In the memory 102 (local award history database) of the base device 72 of fig. 3 or POS system, complete information regarding the transaction, including the identification of the customer and the provider, the transaction amount, the incentive credits earned and redeemed, the good or service purchased and the customer's demographics are recorded thereon (this scenario repeats itself for each single

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transaction whether it involves a redemption or not). Since the whole process is being conducted off-line, without involving any common authority, the retailer's POS system or the base device 72 will transmit the data stored in its database 102 (local award history database) to a central repository or data warehouse or record-keeping facility (global award history database) where the data are utilized for coordinating allocation and redemption of incentive credits among the various providers involved and to further target customers of devices 74, to prevent unauthorized use of the devices 74 and/or to authorize a higher incentive credit allocation and/or redemption level (higher level of authentication) during a transaction or redemption process whereas the POS system or base device 72, providing or handling a low level authentication transaction, cannot process an incentive allocation or redemption process that exceeds a certain preset threshold value (col. 6: 32 to col. 7: 64; col. 8: 66 to col. 9: 35).

Additionally, in another embodiment, Biorge discloses a process of authenticating or validating a customer's device 74 and the customer himself during a verification process that takes place at the POS system without the input from a common authority, based in part on data stored in base device memory 102 (low level-authentication). This routine verification occurs during a transaction with or without a redemption process. The verification is a twofold process. First of all, the customer's device 74 is checked to determine if it is a proper device for use in the incentive program by having the device 74 exchanged encrypted signals with the base device. Second of all, the customer's verification is performed by having him enter a preset user code and comparing the entered user code to a reference user code stored in the memory of the device 74. Only if both the device 74 and the customer are valid will a transaction with or without a redemption process be allowed. In fact, to redeem incentive credits or to earn incentive credits

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during a transaction at a participating provider, the customer or the bearer of the device 74 must go through the routine verification as disclosed above (low level verification or low level authentication). Following this routine authentication or level authentication process, the customer of the validated device 74 is allowed by the device 72 to redeem at least a portion of previously earned incentive credits, provided that this portion does not exceed a preset threshold, during a current transaction at a participating provider in accordance with predefined rules or criteria maintained in device 72 database or memory (col. 4: 62 to col. 5: 33; col. 10: 65 to col. 11: 20; col. 7: 4-64; col. 12: 38 to col. 13: 3).

Moreover, in response to a request from the device 72 to specify how many incentive credits the customer wishes to redeem, the customer enters via keyboard 110 the number of previously earned incentives he wishes to use or redeem and the specified number is sent to base device 72 (POS system) processor 110, which determines based on information in memory of the base device 72 (award history database) if this number exceeds authorized limits. In the affirmative, base processor 100 of the base device 72 enters into an online interaction or communication with a remote common authority to obtain further authorization to redeem the exceeded value (high level of authentication required here because the customer's request has exceeded a preset value as determined by base device 72 processor 100 using data stored in its database). Nevertheless, if the specified number is within a predefined range, then the base processor 100 proceeds with the redemption process based on some criteria since the routine validation performed at the beginning of the transaction is sufficient for this kind of transaction (only a low level authentication is required here). During a typical transaction at a provider, processor 100 checks database 102 for more incentive codes for the current transaction and

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processes them along with other parameters to compute the amount of incentive credits that the customer earns during the transaction. If this value or amount falls within a predetermined range, as determined by processor 100, this amount is added to the memory of the customer's device 74 since the routine verification (low level authentication) performed at the beginning is required for this transaction. However, if the amount exceeds a preset limit, then base processor requires further authorization or authentication and enters into an online interaction with a common remote authority to obtain such authorization (high level authentication is needed because of the amount of incentive credits earned during the transaction) (Figs. 4b-4c; col. 13: 4 to col. 14: 22; col. 15: 15 to col. 16: 7).

Finally, even if during a regular transaction in which the routine validation process (low level authentication) is sufficient to conduct the transaction involving incentive credits allocation and/or redemption, the base processor 100 of the base device 72 may request further authorization (high level authentication) from a remote common authority on how to proceed when a customer's transaction seems to depart from the customer's transaction pattern, thereby preventing unauthorized users from using devices 74, which may have been lost (Col. 11: 21 to col. 12: 10).

See figs. 1-9.

As per claims 4-7 and 11-12, Biorge teaches a system for providing incentive credits to a user or customer participating in or more promotion programs via a handheld or portable device 74 for every qualifying transaction conducted at a participating retailer or provider having a provider device 76 wherein the value of the incentive credits is contingent upon the value of a

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current transaction and wherein the customer's incentive credits are stored on the memory of the portable or handheld device 74 where they can be retrieved during a redemption process. At any given time subsequent to storing the incentive credits on the customer's handheld device, the customer can take the said device 74 to the same retailer or another participating retailer or provider to redeem at least a portion of the incentive credits during a second transaction or a redemption process wherein the stored incentive credits are transmitted from the customer's handheld device 74 to the retailer's POS system or base device 72 (during a synchronization process). In addition, during the redemption process or second transaction (synchronization process), the retailer's POS system or base device 72 transfers newly earned incentive credits to the customer's handheld device 74 permanent memory, based on the value of the second transaction and some other criteria, where they are being added to the existing credit balance (See abstract; col. 2: 18 to col. 3: 21; col. 6: 49 to col. 7: 64; figs. 1-3).

At the conclusion of the redemption process or a transaction, the incentive credit total is updated by adding newly earned incentive credits to the existing remaining total following a redemption process. Thereafter, information regarding the transaction that just takes place is stored in the memory of the customer's device 74, in the memory of the provider's 76 and in the memory 102 (local award history database) of the retailer's POS system or base device 72. In the customer's device 74 memory, information such as the transaction amount, the incentive credits earned, the amount of redeemed incentive credits, if any, the name of the provider 76, the product or service purchased is recorded to maintain a journal of all transactions made using this device. Similar information is stored in the memory of the provider 76. In the memory 102 (local award history database) of the base device 72 of fig. 3 or POS system, complete information

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regarding the transaction, including the identification of the customer and the provider, the transaction amount, the incentive credits earned and redeemed, the good or service purchased and the customer's demographics are recorded thereon (this scenario repeats itself for each single transaction whether it involves a redemption or not). Since the whole process is being conducted off-line, without involving any common authority, the retailer's POS system or the base device 72 will transmit the data stored in its database 102 (local award history database) to a central repository or data warehouse or record-keeping facility (global award history database) where the data are utilized for coordinating allocation and redemption of incentive credits among the various providers involved and to further target customers of devices 74, to prevent unauthorized use of the devices 74 and/or to authorize a higher incentive credit allocation and/or redemption level (higher level of authentication) during a transaction or redemption process whereas the POS system or base device 72, providing or handling a low level authentication transaction, cannot process an incentive allocation or redemption process that exceeds a certain preset threshold value (col. 6: 32 to col. 7: 64; col. 8: 66 to col. 9: 35).

Additionally, in another embodiment, Biorge discloses a process of authenticating or validating a customer's device 74 and the customer himself during a verification process that takes place at the POS system without the input from a common authority, based in part on data stored in base device memory 102 (low level authentication). This routine verification occurs during a transaction with or without a redemption process. The verification is a twofold process. First of all, the customer's device 74 is checked to determine if it is a proper device for use in the incentive program by having the device 74 exchanged encrypted signals with the base device. Second of all, the customer's verification is performed by having him enter a preset user code

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and comparing the entered user code to a reference user code stored in the memory of the device

74. Only if both the device 74 and the customer are valid will a transaction with or without a redemption process be allowed. In fact, to redeem incentive credits or to earn incentive credits during a transaction at a participating provider, the customer or the bearer of the device 74 must go through the routine verification as disclosed above (low level verification or low level authentication). Following this routine authentication or level authentication process, the customer of the validated device 74 is allowed by the device 72 to redeem at least a portion of previously earned incentive credits, provided that this portion does not exceed a preset threshold, during a current transaction at a participating provider in accordance with predefined rules or criteria maintained in device 72 database or memory (col. 4: 62 to col. 5: 33; col. 10: 65 to col. 11: 20; col. 7: 4-64; col. 12: 38 to col. 13: 3).

Moreover, in response to a request from the device 72 to specify how many incentive credits the customer wishes to redeem, the customer enters via keyboard 110 the number of previously earned incentives he wishes to use or redeem and the specified number is sent to base device 72 (POS system) processor 110, which determines based on information in memory of the base device 72 (award history database) if this number exceeds authorized limits. In the affirmative, base processor 100 of the base device 72 enters into an online interaction or communication with a remote common authority to obtain further authorization to redeem the exceeded value (high level of authentication required here because the customer's request has exceeded a preset value as determined by base device 72 processor 100 using data stored in its database). Nevertheless, if the specified number is within a predefined range, then the base processor 100 proceeds with the redemption process based on some criteria since the routine

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validation performed at the beginning of the transaction is sufficient for this kind of transaction (only a low level authentication is required here). During a typical transaction at a provider, processor 100 checks database 102 for more incentive codes for the current transaction and processes them along with other parameters to compute the amount of incentive credits that the customer earns during the transaction. If this value or amount falls within a predetermined range, as determined by processor 100, this amount is added to the memory of the customer's device 74 since the routine verification (low level authentication) performed at the beginning is required for this transaction. However, if the amount exceeds a preset limit, then base processor requires further authorization or authentication and enters into an online interaction with a common remote authority to obtain such authorization (high level authentication is needed because of the amount of incentive credits earned during the transaction) (Figs. 4b-4c; col. 13: 4 to col. 14: 22; col. 15: 15 to col. 16: 7).

Finally, even if during a regular transaction in which the routine validation process (low level authentication) is sufficient to conduct the transaction involving incentive credits allocation and/or redemption, the base processor 100 of the base device 72 may request further authorization (high level authentication) from a remote common authority on how to proceed when a customer's transaction seems to depart from the customer's transaction pattern, thereby preventing unauthorized users from using devices 74, which may have been lost (Col. 11: 21 to col. 12: 10).

See figs. 1-9.

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As per claims 8-9 and 14-15, Biorge discloses a system wherein, at the conclusion of a redemption process or a transaction, the incentive credit total is updated by adding newly earned incentive credits to the existing remaining total following a redemption process. Thereafter, information regarding the transaction that just takes place is stored in the memory of the customer's device 74, in the memory of the provider's 76 and in the memory 102 (local award history database) of the retailer's POS system or base device 72. In the customer's device 74 memory, information such as the transaction amount, the incentive credits earned, the amount of redeemed incentive credits, if any, the name of the provider 76, the product or service purchased is recorded to maintain a journal of all transactions made using this device. Similar information is stored in the memory of the provider 76. In the memory 102 (local award history database) of the base device 72 of fig. 3 or POS system, complete information regarding the transaction, including the identification of the customer and the provider, the transaction amount, the incentive credits earned and redeemed, the good or service purchased and the customer's demographics are recorded thereon (this scenario repeats itself for each single transaction whether it involves a redemption or not). Since the whole process is being conducted off-line, without involving any common authority, the retailer's POS system or the base device 72 will transmit the data stored in its database 102 (local award history database) to a central repository or data warehouse or record-keeping facility (global award history database) where the data are utilized for coordinating allocation and redemption of incentive credits among the various providers involved and to further target customers of devices 74, to prevent unauthorized use of the devices 74 and/or to authorize a higher incentive credit allocation and/or redemption level (higher level of authentication) during a transaction or redemption process whereas the POS

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system or base device 72, providing or handling a low level authentication transaction, cannot process an incentive allocation or redemption process that exceeds a certain preset threshold value (col. 6: 32 to col. 7: 64; col. 8: 66 to col. 9: 35).

Additionally, in another embodiment, Biorge discloses a process of authenticating or validating a customer's device 74 and the customer himself during a verification process that takes place at the POS system without the input from a common authority, based in part on data stored in base device memory 102 (low level authentication). This routine verification occurs during a transaction with or without a redemption process. The verification is a twofold process. First of all, the customer's device 74 is checked to determine if it is a proper device for use in the incentive program by having the device 74 exchanged encrypted signals with the base device. Second of all, the customer's verification is performed by having him enter a preset user code and comparing the entered user code to a reference user code stored in the memory of the device 74. Only if both the device 74 and the customer are valid will a transaction with or without a redemption process be allowed. In fact, to redeem incentive credits or to earn incentive credits during a transaction at a participating provider, the customer or the bearer of the device 74 must go through the routine verification as disclosed above (low level verification or low level authentication). Following this routine authentication or level authentication process, the customer of the validated device 74 is allowed by the device 72 to redeem at least a portion of previously earned incentive credits, provided that this portion does not exceed a preset threshold, during a current transaction at a participating provider in accordance with predefined rules or criteria maintained in device 72 database or memory (col. 4: 62 to col. 5: 33; col. 10: 65 to col. 11: 20; col. 7: 4-64; col. 12: 38 to col. 13: 3).

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Moreover, in response to a request from the device 72 to specify how many incentive credits the customer wishes to redeem, the customer enters via keyboard 110 the number of previously earned incentives he wishes to use or redeem and the specified number is sent to base device 72 (POS system) processor 110, which determines based on information in memory of the base device 72 (award history database) if this number exceeds authorized limits. In the affirmative, base processor 100 of the base device 72 enters into an online interaction or communication with a remote common authority to obtain further authorization to redeem the exceeded value (high level of authentication required here because the customer's request has exceeded a preset value as determined by base device 72 processor 100 using data stored in its database). Nevertheless, if the specified number is within a predefined range, then the base processor 100 proceeds with the redemption process based on some criteria since the routine validation performed at the beginning of the transaction is sufficient for this kind of transaction (only a low level authentication is required here). During a typical transaction at a provider, processor 100 checks database 102 for more incentive codes for the current transaction and processes them along with other parameters to compute the amount of incentive credits that the customer earns during the transaction. If this value or amount falls within a predetermined range, as determined by processor 100, this amount is added to the memory of the customer's device 74 since the routine verification (low level authentication) performed at the beginning is required for this transaction. However, if the amount exceeds a preset limit, then base processor requires further authorization or authentication and enters into an online interaction with a common remote authority to obtain such authorization (high level authentication is needed because of the

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amount of incentive credits earned during the transaction) (Figs. 4b-4c; col. 13: 4 to col. 14: 22; col. 15: 15 to col. 16: 7).

Finally, even if during a regular transaction in which the routine validation process (low level authentication) is sufficient to conduct the transaction involving incentive credits allocation and/or redemption, the base processor 100 of the base device 72 may request further authorization (high level authentication) from a remote common authority on how to proceed when a customer's transaction seems to depart from the customer's transaction pattern, thereby preventing unauthorized users from using devices 74, which may have been lost (Col. 11: 21 to col. 12: 10).

See figs. 1-9.

Conclusion

Although the following references were not officially used in the office action, they were considered as relevant prior art. Applicant is further directed to review these references.

US Patent 6, 138, 911 discloses a Points distribution and redemption system.

Any inquiry concerning this communication from the Examiner should be directed to Jean D. Janvier, whose telephone number is (703) 308-6287). The aforementioned can normally be reached Monday-Thursday from 10:00AM to 6:00 PM EST. If attempts to reach the Examiner by telephone are unsuccessful, the Examiner's Supervisor, Mr. Eric W. Stamber, can be reached at (703) 305- 8469.

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For information on the status of your case, please call the help desk at (703) 308-1113. Further, the following fax numbers can be used, if need be, by the Applicant(s):

After Final- 703-872-9327

Before Final -703-872-9326

Non-Official Draft- 703-746-7240

Customer Service- 703-872-9325

Please provide support, that is page and line numbers, for any amended or new claim in an effort to help advance prosecution; otherwise any new claim language that is introduced in an amended or new claim may be considered as new matter, especially if the Application is a Jumbo Application.

JDJ
01/10/03



Jean D. Janvier
Patent Examiner
Art Unit 3622